

FOOD SECURITY THE KEY, NOT SELF-SUFFICIENCY

A project investigating the impact of China's accession to the World Trade Organization on Chinese agriculture reveals the long-term economic pitfalls of food self-sufficiency policies

BY ROBIN TAYLOR

In China's Yunnan province, former tobacco growers are now growing high-value cut flowers and benefiting from the country's opening to world trade markets. Smallholder farmers in other parts of China are earning off-farm income in new manufacturing industries. These are the winners from the country opening itself to international trade. However, other smallholder farmers in resource-poor regions, with limited opportunities to change crops or move out of agriculture, will need help to access such trade benefits.

The message from a recently completed ACIAR project investigating the effects of China's accession to the World Trade Organization (WTO) is that the focus of food policy should be food security, not food self-sufficiency. Food security policy considers whether people have sufficient income to provide a reasonable diet, irrespective of whether the food is produced domestically or imported.

By modelling the Chinese economy, the project, undertaken by researchers from the Australian National University (ANU), the China Center for Economic Research and the Center for Chinese Agricultural Policy, has demonstrated the high cost of policies that focus on food self-sufficiency.

The results show that, as a result of WTO accession, China's agricultural sector will have to make substantial adjustments, in particular moving out of land-intensive activities, such as grain production, and into labour-intensive activities, such as horticultural products and agricultural product processing where it has a comparative advantage. These structural adjustments will inevitably benefit some households, but disadvantage others. However, by taking an economy-wide approach, rural poverty should be alleviated by households earning off-farm income.

Australia's Minister for Trade Simon Crean touched on this theme when he delivered the biennial Sir Alan Westerman lecture on Australian trade policy, emphasising that trade liberalisation on its own was not enough to drive economic development.

"We need to help developing countries build capacity through structural reform, to allow them to better reap the benefits of international trade," Mr Crean said.

The ACIAR project demonstrated that as incomes increase, agriculture's share of the economy shrinks. Consequently, China is likely to become less self-sufficient in many commodities.

One of the project leaders Dr Chen Chunlai says that, even though China will always have to produce most of the food its large population consumes, non-farm income will become more important as development proceeds.

Dr Chen believes smallholder farmers in China can benefit from appropriate policy interventions, both in the short-term transition to WTO compliance and in the longer term as markets open up.

"Our work is helping equip Chinese policy-makers with information to examine the full range of policy options, for the most effective means of helping smallholders gain the benefits of WTO accession," he says.

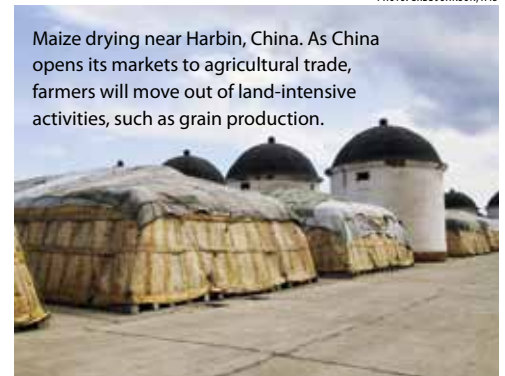
The project's most important message is that macro-economic and other policies not directly aimed at the agricultural sector, such as promotion of urban development in inland areas and gradual reform of monetary policy, can greatly improve the livelihoods of rural households.

ACIAR research program manager for agricultural development policy Dr Simon Hearn says that to achieve the potential economic gains agricultural policies also need further reform.

"These reforms include abandoning price support and regional self-sufficiency policies, reform of monopolistic agricultural marketing and distribution activities, and reform of the state grain storage system," Dr Hearn says.

An earlier ACIAR-funded project, carried out by the International Food Policy Research Institute, investigated the impact of WTO accession on smallholders in western China, a region that accounts for more than 70% of China's poor.

PHOTO: GREG JOHNSON, H4D



Maize drying near Harbin, China. As China opens its markets to agricultural trade, farmers will move out of land-intensive activities, such as grain production.



Mushrooms at a market in Lanzhou. The Chinese are experts in mushroom cultivation.

PARTNER COUNTRY: China

PROJECT DESCRIPTIONS: SMADP/1998/128:

Achieving food security in China—implications for WTO accession; ADP/2002/114: Rural poor and smallholders in western China under WTO—a regional and community level analysis; ADP/2004/044: Economic analysis of technical barriers limiting China's agricultural trade

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Using economic analysis and modelling, the project examined policy issues at the regional, village and household levels.

The researchers investigated future policy options, especially public investment policies, to help western China achieve both economic growth and poverty reduction. They found that the rapid rise of coastal China will potentially provide opportunities for smallholders in the western provinces to either migrate to coastal areas or to engage in non-farm activities in their own communities if institutional and policy barriers that hinder market integration between the two regions can be removed. ■